

STATEMENT OF

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(INSTALLATIONS)**

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OF THE SENATE ARMED SERVICES COMMITTEE**

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Introduction

Mr. Chairman and distinguished members of this Subcommittee, thank you for the opportunity to discuss the Department of Defense's fiscal year 2000 programs for military installations and facilities. This is my first appearance before this Subcommittee, which has long been a champion for military facilities. I look forward to working with you to ensure that military installations and facilities continue to support America's military superiority.

Secretary Cohen has recently testified before Congress, and he shared two major themes affecting installations that I would like to repeat here. First, recognizing the important role installations plays in the defense mission, the President added funds to the fiscal year 2000 program. Second, the Secretary identified securing authority for additional rounds of Base Realignment and Closure as his number one legislative priority. Both themes are crucial to our overall strategy for reshaping the installation infrastructure to match the needs of our forces in the 21st Century.

Sustaining the Foundation

To keep America's defense posture strong and enhance quality of life for our military members and their families, our military installations and facilities must be sound. Installations are the platforms from which our forces successfully execute their diverse strategies and missions. Installations are not only where we maintain and deploy weapons systems and train and mobilize forces for combat, they are also where our forces live, work and become members of the local communities. The Department's programs for military construction, family housing and real property maintenance revitalize and strengthen that foundation. Together, we must sustain that foundation so that military facilities and housing do not undermine readiness, compromise missions nor reduce quality of life. The fiscal year 2000 budgets for these programs continue the Department's obligation to acquire and maintain the right quantity of quality facilities.

Reshaping the Installation Infrastructure

The Department is committed to reshaping its base structure. At his budget briefing on the first of this month, Secretary Cohen stated, "We are eliminating excess infrastructure, notably through the Base Realignment and Closure Process or BRAC, and our greatest need right now is for congressional approval of two additional rounds in the years 2001 and 2005, which would save us an additional \$3 billion a year." Implementing two more rounds of base realignments and closures will eliminate excess infrastructure and focus scarce defense dollars on modernization efforts and other interests vital to a strong national defense. Yet BRAC is much more than an excess property disposal exercise. It is an integral and inextricable part of our readiness and modernization plans as we "right-size" and reshape our installations to match changing military mission requirements.

Furthermore, BRAC is only one initiative in a multi-part strategy to reshape the DoD base structure. Other important initiatives involve privatization of housing and utilities, enhanced out-leasing of underutilized real property and facilities, competitive sourcing of non-inherently governmental functions, and improved standards and conditions for critical facilities, such as

barracks or dormitories. All these initiatives must be pursued. They compliment each other, but no single initiative, or set of initiatives, can substitute for another.

Sustaining our installations' foundation and reshaping our infrastructure are critical to the revolutions in military affairs and business affairs. Today, I will highlight our military construction and real property maintenance budgets, and describe the various ways we propose to reshape the infrastructure.

Overview of the Facility Budget Requests

For fiscal year 2000, we are requesting a program of \$8.5 billion for military construction. This includes \$3.1 billion for nearly 300 construction projects, \$1.3 billion to implement prior rounds of base realignments and closures, \$0.2 billion for the NATO security investment program, \$0.3 billion for planning, design and minor construction, \$2.9 billion to operate and maintain family housing, and \$0.7 billion to build new or improve existing family housing. Supervision, Inspection and Overhead (SIOH) for fiscal year 2000 projects will be funded in the fiscal year the work is performed. Thus, only a portion of SIOH for fiscal year 2000 projects is included in the fiscal year 2000 request. The remainder will be requested in fiscal year 2001 and beyond.

In order to compare the fiscal year 2000 request with past years, we calculated a program value that includes all cost elements that were part of fiscal year 1999 Congressional appropriations. This program cost is the total of all individual projects as well as the various lump sum accounts plus the total for SIOH, even though a portion of SIOH will be requested in future year programs. Using this total, the fiscal year 2000 military construction request is 11 percent more than the President's budget for fiscal year 1999.

Recent budgets for implementing prior rounds of base closures were primarily for environmental restoration, movement of people and equipment, personnel severance and other such costs, but very little, just three percent in fiscal year 2000, for facilities. By excluding the portion of BRAC that does not revitalize or build new facilities as well as family housing operation and maintenance, the President's Budget for fiscal year 2000 construction is 32 percent more than the request for fiscal year 1999. For regular military construction alone, not including construction for BRAC or family housing, the increase is 48 percent. This healthy increase reflects the effort of the Department and the President to address facility needs.

Comparison of Fiscal Year 1999 and 2000 Military Construction
Program Value (Including SIOH)

| | (President's Budget -- \$ in millions) | | |
|---|--|----------------|---------------|
| | <u>FY 1999</u> | <u>FY 2000</u> | <u>CHANGE</u> |
| Regular Military Construction | 2,570 | 3,792 | + 48% |
| Family Housing Construction | 617 | 714 | + 16% |
| BRAC, construction portion only | <u>266</u> | <u>61</u> | - 77% |
| Subtotal of construction | 3,453 | 4,567 | + 32% |
| Family Housing Operations & Maintenance | 2,860 | 2,857 | 0% |
| BRAC, operations and environment | <u>1,465</u> | <u>1,229</u> | - 16% |
| Total Program Requirements | 7,778 | 8,653 | + 11% |
| Annualized SIOH for FY01 and outyears | <u>0</u> | <u>- 154</u> | |
| Total Program Value | 7,778 | 8,499 | |

The Department proposes financing its fiscal year 2000 military construction program through a combination of regular appropriations and advance appropriations. We are requesting \$5.4 billion in fiscal year 2000 appropriations and \$3.1 billion in advance appropriations for fiscal year 2001 to enable completion of the fiscal year 2000 program. This one-time financing methodology, although not the preferred approach, enables the Department to fulfill its commitment to providing quality facilities, while maximizing the use of fiscal year 2000 resources for other readiness and modernization needs. The Department has is requesting \$3.1 billion needed to complete the fiscal year 2000 projects as an FY 2001 advance appropriation to be enacted in the FY 2000 Military Construction Appropriations Act. The use of advance appropriations for fiscal year 2000 projects has no impact on the Department's planned military construction for fiscal year 2001 through 2005. The Department expects to execute the fiscal year 2000 program without delays or added costs provided Congress approves full authorization and advance appropriations for the projects requested. The Department has also implemented a policy change in fiscal year 2000 for the supervision and oversight of construction projects. This change funds these program management costs as they occur rather than with project approval. This change has produced a one-time savings of approximately \$300 million over the FYDP.

Defense Wide Construction

The military construction request for Defense Agencies totals \$531 million. It includes:

- \$31.9 million for the Energy Conservation Investment Program that will add energy conservation equipment and improvements to existing facilities. This will save additional energy and benefit the environment.
- \$161.8 million for 23 projects for Defense Medical Facilities. Six projects will add to or alter existing hospitals, medical centers or dental clinics. Two others will replace existing clinics and one will construct a new medical clinic. Five projects will build aircrew water survival training facilities and one will add a veterinary medicine instructional facility. Four projects will add warehouse, storage or holding area capability, while two projects will build additional logistics facilities to serve existing hospitals. One project will build a new health clinic and one project begins the first phase of the hospital replacement at Fort Wainwright, Alaska.

- \$115.3 million for the Defense Logistics Agency. Five projects will upgrade hydrant fuel systems, either through replacing existing failing or undersized hydrants or by adding new hydrants for increased capacity. Another project will construct a central public safety facility to consolidate base fire, police, security and health and safety missions. One project will provide conforming storage facilities at various bases so they meet environmental standards for hazardous waste.
- \$28.0 million to renovate four floors of an existing facility configured as a hospital to house administrative offices of the Defense Manpower Data Center and Defense Language Center.
- \$18.6 million for unspecified minor construction, \$33.3 million for planning and design and \$142.0 million for construction projects for other Agencies.

Construction for Family Housing and Barracks

The \$4.3 billion the Department is requesting for family housing and barracks supports the high priority placed on quality housing by the Secretary. Our military members deserve no less. Of that amount, \$2.9 billion would pay for the operations and maintenance of over 300,000 family housing units in fiscal year 2000. In addition, the Department military construction program includes \$636 million in fiscal year 2000 to construct, replace or refurbish approximately 5,400 family housing units; and \$800 million for 44 projects to construct or renovate barracks, a dining hall and transient housing.

Overseas Construction

The fiscal year 2000 budget for military construction at overseas bases is \$457 million for regular construction, including the U.S. contribution to the NATO Security Investment Program of \$191 million, and another \$212 million for family housing new construction and improvements. Many of the projects support quality of life issues such as child development centers, family housing and enlisted barracks.

NATO Security Investment Program

The request for the NATO Security Investment Program (NSIP) is \$186 million and for NATO Enlargement is \$5 million.

NATO strategy has shifted from a forward deployed, static defensive posture, to one that is mobile, flexible and responsive to a wide range of contingencies, such as the mission in Bosnia-Herzegovina and, now, potentially Kosovo. The investment program that supports NATO has been restructured accordingly. General George Joulwan, former Commander in Chief, U.S. European Command, considered the NATO Security Investment Program to be the most successful burdensharing arrangement in the NATO Alliance. Over the last few years, the Department has invested over \$1 billion in the NATO Security Investment Program. While these funds are included in the military construction program, they are used not only for facilities, but also vital command and control systems that are currently in need of a major modernization and reorientation to support the new Alliance strategy. U.S. industry has received more than \$1.7 billion in NATO command and control equipment contracts and over \$100 million in facility construction contracts over the last few years.

NSIP also supports enlargement of the Alliance as a practical expression of U.S. military and political commitment to successfully integrate former adversaries into the family of western democracies. Now that the Alliance has agreed to enlargement, the NSIP will play a central role in consolidating NATO's collective defense capability. The anticipated U.S. contribution to cover the cost of enlargement is \$5 million in fiscal year 2000.

Complete Implementation of Prior BRAC Rounds

Our current BRAC rounds are estimated to save approximately \$14 billion by 2001, after one time implementation costs have been offset, and generate an estimated \$5.7 billion in annual recurring savings thereafter. The fiscal year 2000 budget requests \$706 million in new appropriations for fiscal year 2000, plus an advance appropriation of \$577 million for fiscal year 2001. This is a 21 percent decrease from the fiscal year 1999 appropriation. This decrease reflects the impact of declining BRAC implementation requirements as we approach the end of the implementation period for our previous 4 BRAC rounds.

Real Property Maintenance

While not part of the Military Construction Bill, maintenance and repair are vital to protecting our investment in facilities. Lack of proper maintenance and timely repairs leads to facility failures that jeopardize military missions and readiness, and expensive renovations in the future. Proper maintenance and repairs saves money in the long run by preventing deterioration that often results in wasted utilities and emergency fixes, that are costly and often disruptive. Further, maintenance and repair helps insure an environment of enhanced worker safety. Keeping facilities operational enables them to contribute to high mission capability. A modern, well kept maintenance shop will reduce downtime for a tank or an airplane, and enable such weapon systems to continue operating at a fraction of the cost of buying additional weapons.

For fiscal year 2000, we are requesting \$4.9 billion for real property maintenance, a seven percent increase over the fiscal year 1999 program of \$4.6 billion. As I will discuss shortly, the Department's infrastructure exceeds the requirement. However, facilities that are excess still require caretaker maintenance. Getting the most from maintenance and repair requires that the Department manage its facilities in the most effective manner and eliminate unneeded facilities, either by disposing or demolishing excess facilities or by closing unneeded bases.

The President has recently increased the defense program in part in response to strong arguments by the Secretary and the Joint Chiefs. While some of the additional funding went to real property maintenance, it was not enough to meet all the requirements of the Military Departments.

In fiscal year 2000, the Department has followed recent congressional practice and budgeted real property maintenance funds in both regular O&M and in the Quality of Life Enhancements, Defense appropriation. The total is \$1.8 billion. Funds budgeted for repair and maintenance of quality of life facilities are included in this latter account to give it special emphasis, protect it from diversion to other O&M requirements, encourage better management of the funds and optimize its effectiveness by giving it a two-year life.

Reshaping the Infrastructure

The Department is pursuing various initiatives that will reshape its infrastructure. Eliminating unneeded installations through additional base realignments and closures is the foremost initiative. I will present our BRAC legislative proposal and describe the other strategies that, together, will reduce the size of the Department's base structure, restructure it to match changing mission requirements, and enhance management of its facilities.

Additional BRAC Authority

As the Secretary has recently stated before the Illinois State House of Representatives, "vast sums of money that we waste on unneeded facilities are robbing our men and women in uniform of needed training, of modern weapons and of a better quality of life." That sums up two important points: We continue to maintain excess base capacity, and the savings from two future BRAC rounds can be better spent on our forces.

On April 2, 1998, the Secretary of Defense forwarded his report on Base Realignment and Closures to Congress. Central themes of this report are: 1) Even after four previous rounds of BRAC, we still have more infrastructure (approximately 23 percent) than needed; 2) Additional rounds of BRAC in 2001 and 2005 would yield savings of over \$20 billion in the years 2008-2015, the period covered by the Quadrennial Defense Review, and save approximately \$3 billion every year thereafter; 3) BRAC is critical to the success of our defense strategy; 4) BRAC can spur economic growth and development; and 5) Now is when we must plan for defense in the 21st century so timely BRAC authorization is essential.

The major points of that analysis are still very relevant today. We still have far more infrastructure than we need or can afford. At the end of BRAC 95, both then-Secretary William Perry and the Chairman of the last Base Realignment and Closure Commission commented that more closures were required. Our 36 percent force structure reduction has not been offset by an appropriate reduction in our base capacity, which has only been reduced 21 percent through the four current BRAC rounds. The estimated 23 percent excess base capacity exists right now, and that excess continues to draw resources away from our fighting forces. We really need to reverse that. But we need to do more than just eliminate excess base capacity. We need to "reshape" our entire infrastructure by properly aligning base structure to support the military's changing mission requirements and support operations. This requirement adds a different dimension to future BRAC authority, and it makes securing that authority even more essential.

We have determined that two future BRAC rounds in 2001 and 2005 are required to address the excess problem and reshape our infrastructure. We have also estimated that these two future rounds could generate approximately \$3 billion in annual recurring savings starting at the end of the implementation period. Those funds, together with the accumulated net savings up to that point, will go a long way toward supporting our future force structure.

We need legislative authority now. BRAC provides a fair and open process to closing bases. Alternative approaches to identify specific bases to close have not been successful, because

they have not been based on a fair evaluation of all bases, audited by an independent Commission, or made transparent to the public.

We need to ensure that we have the resources available to meet our future needs. Absent BRAC authority, we would need to identify other potential sources of funding, whether they be further cuts in infrastructure (leading to a further deterioration in quality of life), further cuts in force structure, or reductions in training and readiness. For these reasons, the Chairman and Joint Chiefs of Staff believe that the BRAC process is critical to ensure the readiness of our forces and enable the Department to modernize its weapons.

Additional BRAC rounds also will permit the Department to align its base structure to support the military's changing mission requirements and support operations. Each of the major Defense Reform Initiative (DRI) thrusts - reorganization, civilian reductions, consolidations, outsourcing and BRAC - contribute to these goals. Some will generate savings or revenue. We expect outleasing of underutilized property to provide at least \$100 million per year and BRAC to save \$3 billion a year. None will achieve needed reforms alone; each contributes to the effectiveness of the others. Without BRAC, the effectiveness of other reforms will be diminished. Eliminating the uncertainty of future BRAC rounds as soon as possible will permit us to plan on how to use this tool as part of our overall DRI implementation strategy.

Overseas Realignment

To date, the Secretary of Defense has announced his intention to return or reduce operations at 975 overseas sites. Since 1990, the result is a 58 percent reduction in our infrastructure overseas; a 63 percent reduction in Europe. The Department has established the European Theater enduring force structure at about 100,000 personnel and a Pacific Theater enduring force structure of about 100,000.

Our enduring overseas facilities remain essential. It is imperative that we provide a high quality of life for our forces and families overseas. Our people experienced a great deal of turbulence as the force and base structures contracted. On top of that, our overseas forces deploy frequently, adding further stress to families left in foreign countries. We are concentrating on the appropriate facilities, readiness, operational capability, quality of life and modernization for the remaining forces that protect our national security interests in those regions. We need your support to repair, maintain and build the infrastructure that will guarantee our economic and national security.

Residual Value of Overseas Facilities Returned to Host Nations

As this committee knows only too well, the issues of when, how much and in what form the U.S. Government receives value for its excess facilities overseas has been the subject of continuing Congressional interest. Unfortunately, the result of this discussion is a reporting and oversight process that serves neither the taxpayers nor the Department as well as it might.

Our negotiators continue to press for compensation for the residual value of U. S. funded improvements returned to the host nations. Since 1989, the Department has realized monetary

compensation from host governments of about \$166 million, plus approximately \$351 million worth of construction to support our remaining forward-deployed forces.

I want to emphasize that the Status of Forces Agreement with Germany recognizes that government's obligation to compensate the U.S. funded improvements that have reuse capability. However, the U.S. holds no claim to the land and many of the facilities must be demolished prior to any reuse. For these reasons, it is unrealistic to expect compensation from returned overseas facilities that would reflect anything near our original investment in those facilities. Also, GAO, in its January 1996 report on "Overseas Installations: Efforts to Recoup the Residual Value of Closed Facilities" emphasized "...it may be unrealistic to expect DOD to recover amounts near the value of its investment in the facilities returned."

Demolishing Excess Facilities

Installation commanders have repeatedly reported that they often are forced to divert scarce resources to operate and maintain obsolete and excess structures. Such O&M costs come at the expense of more important requirements, and could be avoided by investing in the demolition and disposal of these excess facilities. In 1997, the Military Services surveyed their installations and identified over 80 million square feet of buildings, including more than 8,300 individual structures, which could be demolished in the near term.

In May 1998, Secretary Cohen directed the Military Services to fund the elimination of the 80 million square feet by 2003. In fiscal year 1998, the Department eliminated about sixteen million square feet, exceeding the fiscal year 1998 goal of eleven million. In fiscal year 1999, the Department plans to eliminate an additional 14 million square feet. At the same time, DoD continues to identify additional excess facilities with an eye on further savings.

Privatizing Utility Systems

The Department spends nearly \$2.5 billion a year on energy for its installations, consuming over 70 percent of all energy used by all federal facilities. This represents tremendous procurement leverage, yet excessive management attention and funding have been directed towards the operating and maintaining of DoD's large power infrastructure. Taking a lesson from industry, I believe DoD's energy requirements can be better met by relying on the private sector for our utility infrastructure and concentrating our management focus on energy use and cost.

Section 2688 of Title 10, United States Code, provided DoD authority to convey all Defense utility systems, including electric, water, wastewater and natural gas, as well as steam, hot and chilled water and telecommunications systems. The Department's current focus, as captured by a Defense Reform Initiative (DRI), is to privatize all electric, water, wastewater and natural gas systems. The objective is to get the Department out of the business of owning, managing and operating these systems. Competition for ownership of the utility infrastructure and the provision of utility service is key to effectively resourcing the DoD energy requirement.

We are requesting that Congress modify section 2688 of Title 10, United States Code, to allow the Military Departments to use military construction funds specifically appropriated for

construction, repair or replacement of a utility system to upgrade the system to be conveyed to private ownership. Improving a utility system to the current standards of efficiency and reliability will facilitate the transfer to private ownership and save the Military Department money in the long run through lower operation and maintenance costs.

Initially the DRI goal called for the privatization of all systems (in the four categories mentioned above) by January 2000. As the Services reviewed their inventories at both major and minor installations worldwide, the scope grew to over 2300 candidate systems. After reevaluating the original goal, Deputy Secretary Hamre reset the timeline. The Services have now submitted revised plans targeting the award of privatization contracts for all utility systems by September 2003. Two major interim milestones will help monitor the success of this undertaking: 1) all analysis studies will be completed by September 30, 2000, and 2) all solicitations will be released not later than September 30, 2001. Although not part of this timetable, I intend to also aggressively review privatization of telecommunications systems to assist our installations in meeting modern information technology challenges.

A final note on utility systems privatization. The Defense Reform Initiative also issued guidance on utility systems privatization by establishing the criteria for exempting systems from the privatization program. Any privatization deal must have a long-term economic benefit. And economics aside, we must minimize any adverse impact of privatization on operational missions.

Improving Quality of Life: Housing/Barracks

Quality of Life, and housing in particular, remains a high priority for the Department. The Department established clear goals last year for improving the quality of housing for our military people. Specifically, the Military Services have detailed plans to eliminate their inadequate family housing inventory by 2010. Their plans provide a framework for this and future budgets.

Two years ago, the Department directed the Services to program resources to eliminate the worst barracks conditions that our single service members endure - permanent party gang latrine barracks - no later than fiscal year 2008. Last summer's program review and the formulation of the fiscal year 2000 budget focused on achieving this goal. The Army, Navy and Marine Corps now report that they have programmed sufficient funds to eliminate gang latrine barracks by fiscal year 2008. The Air Force bought out its last gang latrine with their fiscal year 1999 program. The Services are also continuing to implement the 1+1 barracks standard. The Army expects to achieve the new standard by fiscal year 2008, the Navy by fiscal year 2013, and the Air Force will eliminate its dormitory deficit by fiscal year 2009. The Marine Corps plans to build to an interim 2+0 standard by fiscal year 2036.

Privatizing Family Housing

Our housing privatization initiative has progressed considerably over the last year. Last fall, noting concerns that military construction projects were delayed pending decisions about privatization, we took steps to speed implementation. We devolved more execution authority to the Military Departments while maintaining basic oversight within OSD. Deputy Secretary Hamre met with Congress to underscore his support of this vital program to improve quality of life for our

service members and their families. In October 1998, we provided Congress with plans for each of the Military Departments and are carefully monitoring their timelines. We recently forwarded to Congress a progress report on implementation for the first three months. We also sent Congress the proposed solicitations for eleven new projects encompassing over 23,000 housing units.

Continuing to move these projects to completion is critical as it provides sorely needed housing, which will improve the quality of life for our people, as well as providing the Department with a solid foundation of success when we seek permanent authorities next year. The Department expects to have privatized 30,000 family housing units by the end of fiscal year 2000. I firmly believe these private sector tools are critical to providing quality housing over the long haul. Current estimates indicate that we could privatize more than 150,000 additional houses through fiscal year 2005. This will significantly contribute toward meeting our goal of revitalizing or divesting our inadequate housing by 2010 using both traditional MILCON and privatization authorities.

Energy Management and Utility Procurement

The Department continues to make great progress in reducing its energy consumption. In buildings and other facilities alone, energy use per square foot has come down over 19 percent since 1985. To help continue this trend, the Department has programmed \$32 million in fiscal year 2000 for the Energy Conservation Investment Program. The DoD spends over \$2 billion on energy for its buildings and facilities each year. Conserving energy, therefore, saves substantial amounts of money as well as benefits the environment.

Our strategy to reduce energy consumption has two parts; one directed at what we own currently, the other at what we plan to build. The strategy for existing structures focuses on using public and private sector capital to finance energy-savings investments through shared savings contracts and area-wide agreements. The Department has multi-regional Energy Savings Performance Contracts, which cover all fifty states and the District of Columbia, with a combined private sector investment capacity of \$3.2 billion, available for use by all Military Services and Defense Agencies. Additionally, where it makes sense, we are continuing to pursue demand-side management agreements with public utilities. In fiscal year 1997, these agreements resulted in the Department saving more than 817 billion BTUs and \$15 million.

The strategy for reducing energy consumption in new buildings calls on the Military Departments to take advantage of new design techniques and energy efficient materials to increase energy efficiency. The Department intends to utilize the principles of "sustainable design" in all construction designed after fiscal year 2000, where it has been determined to produce the lowest life-cycle costs. Sustainable design methods use the most energy efficient and environmentally sustainable products, optimize architectural design to incorporate local natural conditions, such as day-lighting and passive/active solar and solar-thermal applications, and provide for indoor workplace environmental quality. Demonstration projects undertaken by the Military Departments have shown this approach to design produces 30 to 50 percent in energy savings with minimal investment.

Aside from our initiatives for existing or new facilities, a Defense Reform Initiative to stand up the Defense Energy Support Center is continuing to enhance our efforts to increase energy efficiency. The Center is becoming involved in all facets of our energy program and we believe it has significant potential for making an important contribution to the Department's conservation efforts.

DoD Laboratories

As the members of this subcommittee know very well, our nation has the best warfighting technology in the world. Our nation's security depends on maintaining that winning edge to shape future events to our advantage. Doing so depends on the technology developed and, demonstrated today in the laboratories of the DoD, industry and academia.

The DoD's in-house labs can be justifiably proud of the role they have played in recognizing, sponsoring, developing, and delivering the technological winning edge to our warfighters. But global political conditions, the global market place and the U.S. defense industry have changed dramatically in recent years and the labs need to change as well. The Department needs to reduce the size of its infrastructure, including acquisition infrastructure, consistent with reductions that have occurred in force structure since the end of the Cold War. Given current and foreseeable budget levels for defense and the demands placed on today's force while we transition to tomorrow's force, we must improve the effectiveness and efficiency of our RDT&E infrastructure work force, facilities and equipment.

Section 912 of the FY 1998 Defense Authorization Act tasked the Secretary to provide a plan to streamline acquisition organizations, workforce and infrastructure. Because labs and test centers are a prominent part of the acquisition infrastructure, both through the development of technology and provision of matrix support for Program Managers in the procurement process, they have been the subject of intense review in the Section 912 process. Metrics were established which call for a 25% reduction in infrastructure cost by 2005. The military departments are currently finalizing their plans for achieving these reductions.

Changes are necessary and appropriate, but they must not compromise the ability of the labs to accomplish their technology mission. Most importantly, we must recognize the difficulty of attracting and keeping the best and brightest scientists and engineers in the midst of severe downsizing. With downsizing of our laboratories, there are fewer openings. Without an influx of new scientists and engineers we are at risk of not staying current with the cutting edge. In the midst of a booming economy, we find it difficult to compete with industry for the younger engineers. Thus, as part of the 912 study, the Department is also investigating initiatives to attract, develop, reward and retain technology leaders.

Against the backdrop of streamlining, the laboratories still require the tools to perform their mission. In that regard, the National Defense Authorization Act (NDAA) for FY'96, Section 2892, modified the minor military construction authority, provided under 10 USC 2805, to establish the DoD Laboratory Revitalization Demonstration Program. In particular, Section 2892 raised the threshold for unspecified minor construction projects for which operations and maintenance funds may be used from \$300,000 to \$1,000,000 and provided for a test period of 2 years. In the NDAA

for FY 1999, this authority was extended for an additional 5 years and is available for test facilities as well.

Section 2892 was a response to the need for laboratories to reconfigure their assets quickly so that they can respond rapidly and efficiently to RDT&E needs and exploit opportunities and discoveries. For such occasions, a multi-year advanced planning cycle is not appropriate.

A report on the Program was issued to the Congress in April 1998, describing the experience of the Program over a test span of essentially 18 months. During that period, 22 projects totaling about \$17,700,000 were executed or planned by the three military departments on high impact laboratory needs.

This authority is particularly important in view of the advanced age of many of the Department's lab and test assets. According to data collected for FY 1996, the original cost asset value of lab and test buildings was approximately \$8B, whereas the investment in new plant was about \$217M, which equates to a replacement cycle of about 40 years.

DoD Test and Evaluation Infrastructure

In order for the Department of Defense (DoD) to support its test and evaluation (T&E) functions it creates, operates, and maintains some of the most complex, technically sophisticated, and largest facilities in the world. In spite of the large areas and complex technologies involved, the facilities of the Major Range and Test Facility Base (MRTFB) provide T&E services at a cost that averages about four percent of total program development costs.

Test and Evaluation is 1.6% of all DoD infrastructure costs. The MRTFB includes T&E facilities that encompass 21,000 square miles of land, 243,000 square miles of water surface, and 221,000 square miles of air space—indispensable and irreplaceable resources. These facilities represent a capital investment of close to \$30 billion and employ close to 48,000 military, government civilian, and contractor personnel. They are supported by annual institutional funding of approximately \$1.2 billion and customer reimbursements of about \$1.5 billion. The Department invests about \$500 million each year in their recapitalization and modernization.

As we strive to accomplish the T&E mission and contribute to modernization for future readiness, we face a dual-faceted challenge. On one hand we are working within the diminished modernization budget, including less resources for test as well as less investment dollars for enhancing T&E capabilities. On the other hand, the Department's strategy increasingly relies on the fielding of fewer, but more capable systems - systems that are inherently more sophisticated and complex - with greater technical challenges to manage and which stress our current test capabilities.

Consistent with, but not proportional to, overall reductions in the Department, we have reduced numbers of facilities, institutional funding levels, and personnel numbers. But these steps are not objectives in themselves. Our metrics should focus on reducing the cost and time to test programs and the cost to own and operate our T&E infrastructure. We have reduced institutional operating funding for the MRTFB by 27 percent since FY 1990, but since in many locations a result has been that some increased costs have been passed on to our customers, the weapons systems program managers, the magnitude of this reduction may be meaningless. And reducing the numbers of the government T&E workforce is not helpful if processes are not put in place to enable

testing with fewer personnel. Otherwise we merely shift the workload to a contractor workforce with no guarantee that costs will be reduced.

The composition of our T&E workload has changed since FY 1990 with less of the work directly related to new acquisition programs, but increasingly for quality assurance, maintenance, and surveillance of existing and aging systems. Nevertheless, we do have excess infrastructure including many duplicative facilities once built to meet the unique requirements of specific weapons system programs. Four rounds of Base Realignment and Closures (BRAC) have led to a significant number of closures, consolidations and realignments, to be completed by fiscal year 2001. While we are committed to retaining our critical land, sea, and air space, we have not achieved the last of necessary reductions in test facilities—particularly, the elimination of old, high-maintenance, and inefficient facilities and their associated costs. While retaining critical capabilities for the future, we simply cannot afford to spread our limited resources too thinly.

Meanwhile we must enhance the productivity of our assets. It often takes investment, however, to enhance productivity. Most of our test facilities were built in the early stages of the Cold War. More than two thirds of the infrastructure is over thirty years old—with the average age being well over forty years. During the last twenty years, DoD's investment rate for the T&E facilities had been less than one third of the rate of investment in private industry and an order of magnitude below the investment rate for high technology industries. At the same time, T&E investment funding is down more than 33 percent since FY 1990 and I am not optimistic for future increases. Yet investments must be made to:

- Address testing of new technologies such as smart weapons, low observable systems, complex electronic systems, and space systems. Today's weapons employ technology that was virtually unknown at the time most of our test capability was established and much of it is unsuited to today's needs.
- Replace outdated technology and single Service approaches with state-of-the-art instrumentation and facilities that satisfy joint Service needs.
- Replace inefficient, labor intensive T&E resources with modern, cost effective capability.

The impact of inadequate investment in test capabilities is reflected directly in our ability to affordably modernize the forces.

On the other hand, with properly focused investment in test facilities, we are achieving some significant successes through recently fielded systems that have increased both the effectiveness of our testing and its efficiency.

It is compelling for DoD to sustain its ability to adequately test while reducing both the costs and time associated with this vital mission. In order to achieve that goal we will need to reduce old, inefficient facilities, lower manpower associated costs, improve our test and business processes, and focus our investments both to meet the testing needs of emerging technologies and complex weapons systems and to enhance productivity.

Other Legislative Proposals

The Department proposes to amend sections of Title 10 of the United States Code. If approved, these proposals will enhance installations' management.

We are requesting several changes that will bring sections of Title 10 that apply to the Reserve Components into conformance with sections governing the active components. For the Reserves, we are asking for changes to existing language to specify that operation and maintenance funds can be used to carry out an unspecified military construction project intended to solely correct a deficiency that is life, health or safety threatening. We are also asking that the Reserve Components be able to use military construction funds for design. This is particularly important to enable the Reserves to use available MilCon resources to design projects that were added by the Congress to the President's budget.

Facilities Strategic Planning

The DoD invests billions of dollars each year to acquire, construct, operate, maintain, repair and dispose of its physical plant. These assets are essential to readiness and operations, because military forces cannot train or perform missions effectively in the absence of highly capable facilities. In the past, the Department lacked a consolidated long-range plan for its facilities, instead often relying on stand-alone programs oriented around specific appropriations, military services, facility types or locations.

To improve this situation, we are working to create an initial Defense Facilities Strategic Plan as well as a process for reviewing and renewing the plan regularly. We have created an inter-Departmental working group to develop the plan and are using the DoD Installations Policy Board for review and oversight. Our goal is to establish a process where plans, programs, and initiatives are integrated with a DoD vision, mission, goals, tools, resources and metrics. We have developed a framework for the plan and merged existing initiatives with the framework, and are in the process of finalizing this initial plan. We are also beginning the process of developing new initiatives within the context of the plan. We intend to correlate the plan with other defense planning documents and update it every other year.

The Department is making good progress on its ongoing initiatives under the strategic plan. Among these initiatives, which I discussed earlier, are plans to upgrade barracks, privatize family housing, and accelerate demolition and disposal of obsolete buildings. Other efforts, such as privatizing utility systems, more competitive sourcing for facility requirements and developing a facility aging model, are well underway with positive results starting to show. In the near future, we will undertake several new initiatives within the context of the strategic plan. These new initiatives include increasing federal joint use of facilities, improving real property reporting systems, and an assessment of the various facility condition assessment systems in place within the Department.

The result of our emphasis on such initiatives will be significantly enhanced management of and planning for the Department's investment in its facilities. Our continuing efforts to develop and effect a Facilities Strategic Plan will greatly help us determine the right size of the defense plant account, the right quality of our facilities and the right resources to satisfy requirements.

Conclusion

This concludes my prepared testimony. In closing, Mr. Chairman, I sincerely thank you for giving me this opportunity to describe our installations' and facilities' programs and for your very strong support for military construction and real property maintenance. I urge you to approve the budgets we have submitted and the legislation we have proposed.